

important differences across firms with respect to their ability to roll out new technologies given differences in spectrum holdings and in the number of subscribers served with “past generation” technologies.

152. *Fourth*, differences in the geographic coverage of wireless networks create diverse interests among carriers and thus further reduce concerns about the potential for coordinated effects. Carriers’ spectrum holdings differ across geographic areas, with the amount of spectrum allocated to different services (e.g., GSM, UMTS/HSPA+, LTE) differing across areas for a given carrier. At the same time there are important differences across carriers with respect to the amount of spectrum held and the utilization of the spectrum. Coordination is further complicated by the fact that there are a variety of non-national carriers serving different regions and the share of subscribers in a region accounted for by the non-national carriers varies widely. As this suggests, non-national carriers face different incentives with respect to coordinating with or deviating from actions taken by other firms.

D. THE TRANSACTION DOES NOT ELIMINATE A MAVERICK FROM THE WIRELESS INDUSTRY.

153. In previous merger reviews, the FCC has highlighted concerns about transactions that remove a “maverick” from the marketplace. The FCC defines mavericks as “firms that have a greater economic incentive to deviate from the terms of coordination than do most of their rivals (e.g., firms that are unusually disruptive and competitive influences in the market).” It further expands on the definition with specific reference to wireless providers:

In the context of U.S. mobile telephony markets, maverick carriers may be identified by the innovative pricing plans or services they introduce. The enhanced incentive to deviate may arise because the maverick carrier controls substantially more spectrum than it needs to serve the demands of its currently limited customer base, and also because its costs of expanding sales in the relevant market are relatively low and (or) it is well positioned to attract customers currently served by its competitors. Such a carrier has a strong incentive to deviate because it receives less benefit from the higher

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coordinated prices than do carriers with larger market shares and is well positioned to profit from expanding its sales.²⁰¹

154. T-Mobile USA would not be characterized as a maverick as defined by the FCC. For example, T-Mobile USA has indicated that it is facing spectrum constraints and we are not aware of any other special cost advantage enjoyed by T-Mobile USA that would enable it to act as a maverick.^{202 203} Moreover, T-Mobile USA cannot be considered a maverick by virtue of having introduced innovative pricing plans. For example, the FCC's annual reports summarizing the state of wireless competition and merger decisions identify major pricing and service innovations since 1998. Notably, none of the pricing innovations identified by the FCC were introduced by T-Mobile USA. The pricing and service innovations identified in our review of FCC documents include:

- **AT&T Digital One Rate Plan (1998):** "AT&T Wireless's Digital One Rate ("DOR") plan, introduced in May 1998, is one notable example of an independent pricing action that altered the market and benefited consumers."²⁰⁴
- **AT&T Family Plans (1999):** "These plans allow a family to establish an account with a certain number of family members within the same calling area. Each family member [...] can make unlimited calls to the other wireless numbers on the account and to and from the family's home number [...] This type of family plan was first introduced by AT&T in the third quarter of 1999, and SBC Communications has since instituted its own such plan called 'FamilyTalk.'"²⁰⁵

201. FCC, Memorandum Opinion and Order, Cingular/AT&T, FCC 04-255, October 26, 2004, ¶160.

202. Larsen Declaration, ¶10.

203. In published work, FCC Chief Economist Jonathan Baker identifies firm-specific differences in marginal costs as a key factor that enables a firm to act as a maverick: "Some factors likely affecting the market price preferred by the maverick are firm specific. For example, a firm's marginal costs may rise or fall for reasons related to the nature or location of its production processes, and in consequence may not be paralleled by cost changes affecting its rivals." Jonathan Baker, "Mavericks, Mergers, and Exclusion: Proving Coordinated Competitive Effects Under the Antitrust Laws," 135 New York University Law Review 135 (2002), at 174.

204. Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Eighth Report*, FCC 03-150, ¶94.

205. Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial

- **Sprint PCS and Verizon Wireless free on-net roaming (2002):** "Another trend in mobile telephone pricing has been the introduction of on-network, or "on net," national pricing plans. [...] Sprint PCS, which permits off-net roaming, has allowed free on-net national roaming with its pricing plans for many years. In January 2002, Verizon Wireless began to offer its own on-net national plans, under the name 'America's Choice.'"²⁰⁶
- **Cingular's free nights and weekends and rollover minutes:** "[O]ther nationwide carriers have taken the lead in introducing other innovative pricing plans or services, including [...] Cingular for free night and weekend minutes and rollover minutes..."²⁰⁷
- **Nextel push to talk (PTT) service (2003):** "... [O]ther nationwide carriers have taken the lead in introducing other innovative pricing plans or services, including [...] Nextel for PTT services."²⁰⁸
- **ALLTEL, Suncom: "Mobile to Anyone" Plans (2006):** "Recently, a few U.S. providers have introduced "mobile to anyone" calling options. The new feature, currently offered by regional operators Alltel and Suncom, allow subscribers unlimited free calling to and from any ten designated numbers in the United States, regardless of wireline or wireless carrier."²⁰⁹
- **Sprint: First national carrier to offer "Unlimited" plans (2007):** "A number of smaller and regional carriers, like Leap and MetroPCS, have been offering unlimited local calling plans for years. Now, first among the nationwide carriers, Sprint Nextel has begun offering unlimited calling plans, for a limited time, in select markets."²¹⁰
- **Verizon Wireless: First to offer unlimited nationwide flat-rate calling plan (2008):** "Verizon Wireless made the first move by offering an unlimited nationwide flat-rate calling plan in February 2008. AT&T quickly responded with a similar offer, and T-Mobile

Mobile Services, *Fifth Report*, FCC 00-289, p.17.

206. Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Eighth Report*, FCC 03-150, ¶195.

207. FCC, Memorandum Opinion and Order, Cingular/AT&T, FCC 04-255, October 26, 2004, ¶162.

208. FCC, Memorandum Opinion and Order, Cingular/AT&T, FCC 04-255, October 26, 2004, ¶162.

209. Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Eleventh Report*, FCC 06-142, ¶191.

210. Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Twelfth Report*, FCC 08-28, ¶113.

followed soon after with a nationwide flat-rate calling plan that it differentiated by including unlimited voice bundled together with unlimited text messaging. Similarly, the version of a nationwide flat-rate offering subsequently unveiled by Sprint Nextel includes unlimited voice, text messages, and various premium data services such as e-mail and Web surfing.”²¹¹

155. As the FCC recognizes, maverick firms are “disruptive and competitive influences.” A principal way that firms disrupt competition is by growing relative to their rivals, which implies that their future competitive significance is likely to be greater than reflected by their current share. Thus, regulators’ heightened focus on mavericks when evaluating mergers is appropriate. However, as discussed above, T-Mobile USA’s estimated share of both contract and non-contract wireless subscribers in the United States **[Begin Confidential Information]** **[End Confidential Information]**.²¹² At the same time, T-Mobile USA’s monthly churn rate has remained high. These data are not characteristic of a maverick firm that is disruptive to wireless competition.

156. It is not appropriate to characterize T-Mobile USA as exerting a special role in constraining price simply because its prices tend to be lower than those charged by certain rivals. As discussed above, T-Mobile USA is not generally recognized as offering the lowest industry prices. Instead, analysts and the FCC have characterized MetroPCS and Leap as pioneering unlimited/non-contract pricing models, while AT&T, Verizon Wireless and Sprint are recognized for being leaders in providing data services. T-Mobile USA, on the other hand, was recently characterized as “‘stuck in the middle’ between quality and value.”²¹³

211. Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services, *Thirteenth Report*, DA 09-54, ¶112.

212. See Figure 6.

213. Bank of America Merrill Lynch “T-Mobile USA under pressure – 2011 EBITDA coming into focus”, November 5, 2010, p. 8.

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157. Table 2 above indicates that average “yield” (defined as non-data revenue divided by minutes of use) is lower for T-Mobile USA than for AT&T and Verizon Wireless, and roughly comparable to that earned by Sprint. We have not analyzed the extent to which these differences are attributable to factors such as the mix of contract and non-contract subscribers. However, to the extent that T-Mobile USA’s prices are lower than those received by AT&T and Verizon Wireless for otherwise comparable subscribers, T-Mobile USA’s lower prices have not stimulated growth in its share of retail subscribers. This indicates that other aspects of T-Mobile USA’s service are in some way lacking, so that their lower price reflects compensation for weaker dimensions of service other than price. They may include differences in geographic network coverage, service quality, handset availability, or other factors, and suggest that T-Mobile USA does not have a unique role in constraining prices charged by AT&T and other carriers.

CONCLUSION

158. We conclude that the proposed transaction will promote competition by enabling the merged firm to achieve engineering-based network synergies that increase network capacity beyond the levels that AT&T and T-Mobile USA could achieve if the two companies continued to operate independently. These additions to capacity will permit the merged firm to expand output beyond the sum of the output levels that would be achieved if the firms operated independently. A proper antitrust analysis of this transaction must account for the existing capacity limitations and the effect of this transaction on increasing capacity, among other factors. Given the large projected increases in demand for wireless data services, the recognized shortage of spectrum available in many areas to serve increased demand, the ongoing competitiveness of the wireless industry, the cost savings expected to result from the transaction, and the business plans for the merged firm, we conclude that the merged firm will have strong incentives to use this additional capacity to increase output compared to levels that

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would be expected in the absence of the proposed transaction. These factors are central to the analysis of the proposed transaction and our conclusion that it will not result in harm to consumer welfare.

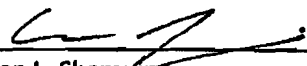
I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief.

Signature: Dennis W Carlton
Dennis W. Carlton

Date: April 20, 2011

I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief.

Signature:

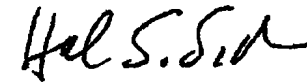

Allan L. Champagne

Date:

April 20 2011

I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief.

Signature:

A handwritten signature in black ink, appearing to read "Hal S. Sider", written over a horizontal line.

Hal S. Sider

Date:

April 29 2011

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**Description of Transaction,
Public Interest Showing, and
Related Demonstrations**

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ATTACHMENTS:

Declaration of David A. Christopher

Declaration of John Donovan

Declaration of William Hogg

Declaration of Rick L. Moore

Declaration of Thorsten Langheim

Declaration of Kim Kyllesbech Larsen

Declaration of Dennis W. Carlton, Allan Shampine, and Hal Sider

Appendix A: Spectrum Aggregation Chart

Appendix B: Competitor Chart

Appendix C: Competitors in CMAs in Which the Spectrum Screen Is Reached

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INTRODUCTION AND SUMMARY

In this transaction, AT&T Inc.—an American company on the leading edge of mobile broadband innovation—is acquiring T-Mobile USA, a Deutsche Telekom subsidiary with declining market shares and no clear path to Long Term Evolution (LTE), the gold standard for advanced mobile broadband services.

AT&T faces network spectrum and capacity constraints more severe than those of any other wireless provider, and this merger provides by far the surest, fastest, and most efficient solution to that challenge. The network synergies of this transaction will free up new capacity—the functional equivalent of new spectrum—in the many urban, suburban, and rural wireless markets where escalating broadband usage is fast consuming existing capacity. This transaction will thus benefit consumers by reducing the number of dropped and blocked calls, increasing data speeds, and dramatically expanding deployment of next-generation mobile technology. Indeed, the transaction will give the combined company the scale, resources, and spectrum that will enable it to deploy LTE to more than 97 percent of Americans—approximately 55 million more Americans than under AT&T’s current plans. That deployment will help fulfill this Administration’s pledge to “connect[] every part of America to the digital age,”¹ and it will create new jobs and economic growth in the small towns and rural communities that need them most. This transaction will leave the wireless marketplace fiercely competitive; indeed, AT&T’s massive LTE deployment will intensify broadband competition throughout the United States. Finally, the transaction will promote America’s global leadership in mobile broadband innovation.

¹ Barack Obama, *State of the Union Address* (Jan. 25, 2011), <http://www.whitehouse.gov/the-press-office/2011/01/25/remarks-president-state-union-address> (“*Obama 2011 State of the Union Address*”).

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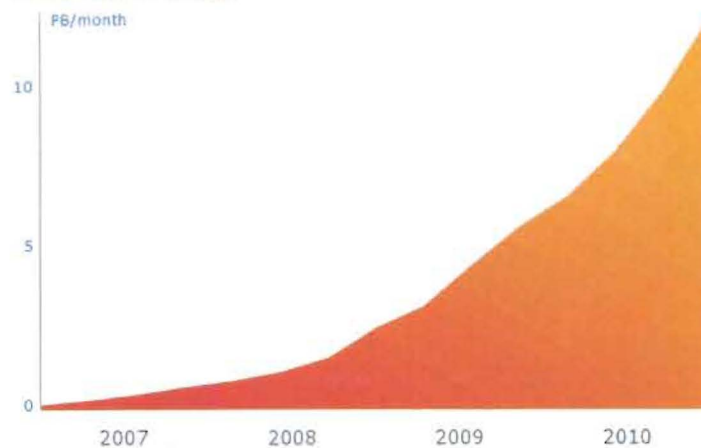
AT&T has helped lead America's mobile broadband revolution for many years, achieving network-technology breakthroughs at AT&T Labs and then pioneering their deployment to consumers. AT&T introduced the first widely adopted smartphone—Apple's iPhone—in 2007. It now offers a wide-ranging portfolio of mobile broadband devices, including the second-generation iPad and other tablet computers; a variety of netbooks, eReaders, and machine-to-machine (M2M) offerings; and a host of smartphones running on different operating systems, such as Google's Android, Microsoft's Windows, Apple's iOS, and RIM's Blackberry, among others. According to a leading market research firm, AT&T's subscribers owned more than **[Begin Confidential Information]** **[End Confidential Information]** percent of the nation's smartphones at the end of 2010, by far the highest percentage among all U.S. wireless providers.² AT&T's pioneering initiatives have helped convert mobile broadband from a niche product into a transformative engine of innovation, growth, and consumer empowerment. And they have helped make the United States the global leader in mobile broadband subscriptions and smartphone sales.

AT&T's mobile broadband leadership, however, now presents it with unique spectrum and capacity challenges. A smartphone generates 24 times the mobile data traffic of a conventional wireless phone,³ and the explosively popular iPad and similar tablet devices can generate traffic comparable to or even greater than a smartphone. AT&T's mobile data volumes thus surged by a staggering 8000% from 2007 to 2010:

² The Nielsen Company, *Carrier Share of Smartphone Subscribers – Q4 2010*.

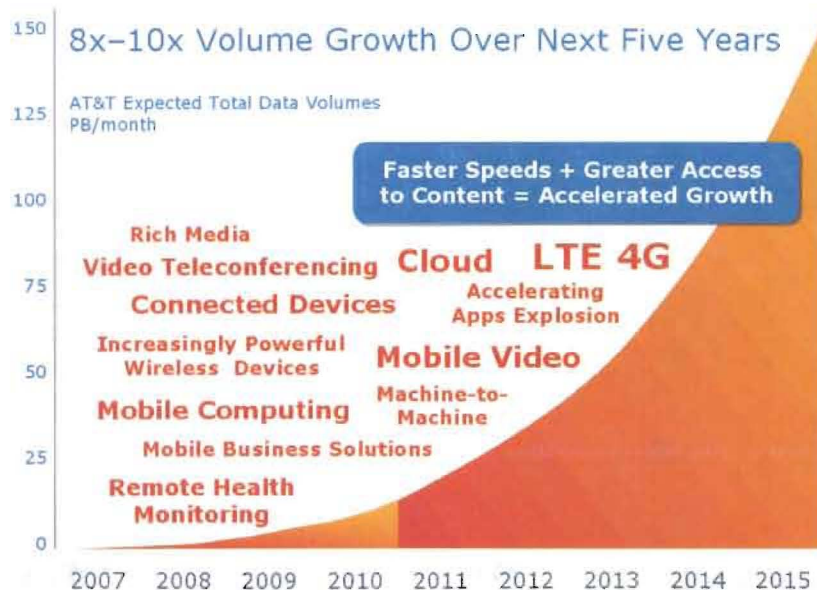
³ FCC Fact Sheet, *Spectrum: American Competitiveness, Opportunity, Dollars and the Cost Of Delay* (Mar. 22, 2011), available at http://www.fcc.gov/Daily_Releases/Daily_Business/2011/db0322/DOC-305309A2.pdf ("FCC Fact Sheet").

AT&T Mobile Data Volumes Up 8,000%
Over Four Years



AT&T has worked tirelessly to address this data explosion through a wide variety of means. For example, it has purchased spectrum on the open market when available and has added thousands of cell sites and additional backhaul capacity to its network grid. AT&T has also deployed distributed antenna systems, 24,000 Wi-Fi hotspots across the country, and Wi-Fi Hotzones in heavy usage areas—such as Chicago’s Wrigleyville, New York’s Times Square, and others—to off-load traffic from its mobile network. All told, AT&T invested \$21.1 billion in capital expenditures to upgrade its wireless network between 2008 and 2010.

These types of measures, however, are increasingly inadequate solutions to AT&T’s growing capacity constraints. AT&T is using up its spectrum at an accelerating rate, and the wireless broadband revolution is just beginning. Over the next five years, data usage on AT&T’s network is projected to skyrocket by a factor of eight to ten as customers “mobilize” all of their communications activities, from streaming HD video and cloud computing to a range of M2M applications like energy management, fleet tracking, and remote health monitoring:



Put differently, in just the first *five to seven weeks* of 2015, AT&T expects to carry all of the mobile traffic volume it carried during 2010.

In short, AT&T faces severe capacity constraints and cannot simply wait for the next major auction to resolve them. For example, AT&T expects that, by **[Begin Confidential Information]** **[End Confidential Information]**, it would have insufficient capacity to handle the expected traffic demand for its UMTS services in approximately **[Begin Confidential Information]** **[End Confidential Information]** cellular market areas (“CMAs”) covering **[Begin Confidential Information]** **[End Confidential Information]** people.⁴ These include large cities such as **[Begin Confidential Information]**

[End Confidential Information], as well as smaller towns and rural areas such as **[Begin Confidential Information]** **[End Confidential Information]**.

⁴ As discussed below, Universal Mobile Telephone System (“UMTS”) is a wireless technology that supports both voice and mobile broadband services; Global System for Mobile (“GSM”) is an earlier second-generation technology.

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In [Begin Confidential Information] [End Confidential Information] additional markets, AT&T does not have enough spectrum today even to launch and support UMTS service, and thus it can offer only 2G GSM service to the more than [Begin Confidential Information]

[End Confidential Information] people in those markets. In many markets where T-Mobile USA has spectrum, AT&T's capacity constraints also prevent it from dedicating enough spectrum to launch LTE, deploy it optimally, or meet expected demand. For example, in approximately [Begin Confidential Information] [End Confidential Information] CMAs covering about [Begin Confidential Information] [End Confidential Information] people, AT&T lacks spectrum to deploy LTE at all. Within another approximately [Begin Confidential Information] [End Confidential Information] CMAs, covering nearly [Begin Confidential Information] [End Confidential Information] people in large cities and small towns alike, AT&T cannot deploy LTE with the contiguous 20 MHz of spectrum needed for improved speed and spectral efficiency. And AT&T estimates that it is likely to face LTE capacity constraints as early as [Begin Confidential Information] [End Confidential Information] in certain major markets.

T-Mobile USA likewise faces capacity constraints in a number of key markets. It also has no clear path to deploy LTE services because it has already dedicated its spectrum resources to today's less spectrally efficient technologies. T-Mobile USA also faces new questions about its long-term capital support, in part because its parent company, Deutsche Telekom, must dedicate significant capital resources to broadband deployment in Germany and the rest of Europe. Indeed, Deutsche Telekom recently announced that, in light of its capital constraints, T-

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Mobile USA can no longer rely on its parent for investment funding and must instead “fund its future itself.”⁵

From a consumer’s perspective, the capacity constraints confronting these companies, if unaddressed, would translate into more dropped and blocked calls, slower speeds, and access to fewer and less advanced applications. More generally, these capacity constraints could hinder innovation in America’s mobile broadband ecosystem. As Chairman Genachowski has observed, “[i]f we do nothing in the face of the looming spectrum crunch, many consumers will face higher prices—as the market is forced to respond to supply and demand—and frustrating service—connections that drop, apps that run unreliably or too slowly. The result will be downward pressure on consumer use of wireless service, and a slowing down of innovation and investment in the space.”⁶ These consumer harms, moreover, “would . . . have a disproportionate impact on minority and low-income groups who are more likely than the average American to access the Internet through a mobile device.”⁷ “[T]he only thing that can address the growing overall demand for mobile,” the Chairman more recently added, “is increasing the overall supply of spectrum and the efficiency of its use.”⁸

⁵ Transcript of Briefing by Deutsche Telekom and T-Mobile to Analysts, at 4 (Jan. 20, 2011) (Deutsche Telekom CEO Rene Obermann), http://www.telecom.de/dtag/cms/contentblob/dt/en/979218/blobBinary/transcript_20012011.pdf (“*Jan. 20, 2011 DT Analyst Briefing*”); Declaration of Thorsten Langheim, Senior Vice President Mergers and Acquisitions, Deutsche Telekom AG, at ¶ 14 (April 20, 2011) (“Langheim Decl.”) (attached).

⁶ Remarks of FCC Chairman Julius Genachowski, CTIA Wireless 2011, at 9 (Mar. 22, 2011), http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-305309A1.pdf (“*Genachowski CTIA Remarks*”).

⁷ *Id.*

⁸ Remarks of FCC Chairman Julius Genachowski, NAB Show 2011, at 4 (Apr. 12, 2011), http://www.fcc.gov/Daily_Releases/Daily_Business/2011/db0412/DOC-305708A1.pdf.

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This transaction helps meet that national objective. Although it will not literally increase “the overall supply of spectrum,” it will dramatically increase the efficiency of its use, and those efficiency gains are the functional equivalent of creating new spectrum. In this manner, the transaction will provide by far the fastest, most efficient, and most certain solution to each applicant’s capacity challenges, while creating significant benefits for consumers and the marketplace as a whole. It will improve service quality and create a robust, ubiquitous, and state-of-the-art wireless broadband platform. It will enable the combined company to compete far more effectively than either company could alone, while fueling the wireless broadband revolution at the heart of this Administration’s goals.

These benefits arise from the uniquely complementary nature of AT&T and T-Mobile USA. Unlike other major U.S. wireless providers, AT&T and T-Mobile USA both use GSM and UMTS/HSPA+ technologies. Their common use of those technologies, together with their complementary spectrum holdings and well-matched cell-site grids, will produce immense synergies. As a result of these synergies, the integration of these two networks will far exceed the sum of its parts, creating substantially more capacity than the two companies could produce individually.

This increased capacity will give the combined company the flexibility it needs, on a market-by-market basis, to improve service quality, free up spectrum for more spectrally efficient technologies such as LTE, or both. These benefits could not be obtained nearly as fully or quickly through any alternative to this transaction. These transaction-specific benefits include:

- *Efficiencies from unique cell-site complementarities.* The combined company expects to integrate more than [Begin Confidential Information] [End Confidential Information] T-Mobile USA cell sites into the AT&T network. Upon network

integration, this will equate to “instant” cell splits—increasing cell density and effectively doubling the amount of network traffic that can be carried using existing spectrum in the areas served by those cell sites. This network integration will start immediately after closing, can be targeted initially to areas with the greatest capacity needs, and is expected to be completed within twenty-four months, with service improvements in areas of various markets in as little as nine months. AT&T could accomplish nothing comparable absent this merger. In practical terms, the integration of these two infrastructures will mean fewer dropped and blocked calls and a better mobile Internet experience for consumers.

- *Repurposing of Redundant Control Channels.* Each company now devotes substantial spectrum to “control channels” for its GSM services. The transaction will enable the combined company to eliminate redundant control channels and promptly free up 4.8 to 10 MHz of extra spectrum, depending on the market.
- *Channel Pooling Efficiencies.* This transaction will enable the two networks to group their respective GSM spectrum channels into larger pools (as well as the UMTS spectrum channels as they are integrated over time). Because larger pools increase the statistical probability of obtaining an open channel, the transaction will enable the combined network to serve more subscriber traffic with the same aggregate spectrum than the two could serve independently. By analogy, an airport can serve more customers more quickly if it creates one ticket counter with four ticket agents rather than two counters with two agents apiece. This efficiency alone is expected to increase GSM capacity by as much as 15 percent in some areas and, among other benefits, will reduce the number of blocked calls.
- *Utilization Efficiencies.* The combined company will be able to make more efficient use of “spare” capacity in areas where one or both companies’ networks are underutilized, driving improvements in both performance and capacity in those areas. For example, if AT&T’s GSM network is congested in a market, while T-Mobile USA’s is underutilized, the combined company could use spectrum in the underutilized network to relieve that congestion. Alternatively, if AT&T is facing congestion in its UMTS network but not its GSM network, then a portion of T-Mobile USA’s GSM spectrum could be redeployed to relieve that congestion and provide for more spectrally efficient UMTS services.
- *Broader deployment of more spectrally efficient LTE technologies.* The transaction will accelerate the transition to more spectrally efficient LTE technologies for more subscribers, thereby increasing network capacity and more efficiently using scarce spectrum resources. Over time, the transaction will enable the combined company to transition T-Mobile USA’s HSPA services off of its AWS spectrum in many markets and devote that spectrum to the deployment of LTE services that are 30 to 40 percent more spectrally efficient. In addition, T-Mobile USA’s AWS spectrum covers approximately [Begin Confidential Information] [End Confidential Information] additional people in areas where AT&T lacks sufficient 700 MHz or AWS spectrum to

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deploy LTE, allowing the combined company to roll out that technology more broadly than AT&T could alone.

AT&T estimates that these efficiencies, in combination, will push back the date of expected spectrum exhaust in many markets, particularly in its constrained markets. With this additional time, the company expects to be able to address continuing capacity needs through the ramping down of GSM networks, the fuller deployment of efficient, capacity-increasing LTE technologies, and new spectrum available at auction. More generally, the consolidation of these two companies is projected to produce operational savings and other cost synergies exceeding \$39 billion, with annual savings of approximately \$3 billion starting in year three.

All of these efficiencies will benefit both companies' current and future customers. For example, by alleviating capacity constraints, this transaction will enable AT&T to enhance service quality for its GSM and UMTS customers, reducing the number of blocked and dropped calls, increasing data speeds, and providing more consistent and reliable service. Moreover, this transaction will give AT&T the capacity it needs to serve more customers in more markets with UMTS and fully optimized LTE than it would otherwise. This transaction will also give T-Mobile USA's 34 million customers access to LTE services that will surpass T-Mobile USA's current services in performance and network efficiency. In addition, T-Mobile USA's customers will have greatly expanded in-home and rural coverage and rapid access to a broader device portfolio. And, as in AT&T's prior acquisitions, consumers will have the option to keep their current T-Mobile USA pricing plans for existing services.

In short, this transaction is the most *pro-consumer* solution to the critical capacity challenges facing these two companies. It is also the most *pro-innovation* and *pro-investment* solution for America. The network and spectrum synergies unleashed by this transaction will

enable AT&T to continue fostering wireless innovation and supporting the virtuous cycle of investment and innovation needed to fuel advances in the mobile broadband ecosystem. And this transaction gives AT&T the scale, spectrum and resources that will enable it to deploy LTE to more than 97 percent of Americans, many of them in the rural areas and small towns most in need of greater broadband deployment and economic development.⁹

The long-term benefits of such infrastructure investment are immense. As Lawrence Summers, then head of the President's National Economic Council, explained in 2010, "[e]ach dollar invested in wireless deployment is estimated to result in as much as \$7 to \$10 higher GDP," and as wireless investment grows, "the benefits for job creation and job improvement are likely to be substantial."¹⁰ In addition, because AT&T is the only major wireless company that is unionized, this transaction will bring jobs with union wages and benefits.¹¹ And the expansion of LTE's state-of-the-art broadband performance will help fill gaps in the availability of cutting-edge medical, education, and other services in rural areas and small towns. Because this transaction will produce these larger social benefits, groups from across the political spectrum,

⁹ When the parties announced this transaction in March 2011, AT&T initially stated that it would deploy LTE to 95 percent of the U.S. population. AT&T has now conducted a more refined analysis of the scope and capabilities of the combined network and identified T-Mobile USA and AT&T cell sites that it had not previously counted on for LTE expansion, but that will allow the expansion of LTE into areas not previously included. The parties are thus now increasing the scope of this commitment to more than 97.3%.

¹⁰ Remarks of Lawrence H. Summers, New America Foundation, *Technological Opportunities, Job Creation, and Economic Growth* (June 28, 2010), <http://www.whitehouse.gov/administration/eop/nec/speeches/technological-opportunities-job-creation-economic-growth> ("*Summers Remarks*").

¹¹ AT&T remains the only large wireless company in the U.S. with a voluntary recognition and card check agreement, which allows eligible employees to choose whether to be represented by the CWA. AT&T remains neutral in organizing drives and voluntarily recognizes the CWA when a majority of workers sign union authorization cards. Under this process, CWA has now organized more than 41,000 AT&T Mobility employees, including those following mergers with AT&T Wireless, BellSouth, Dobson, and Centennial.

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including the Communications Workers of America, the AFL-CIO, the NAACP, the Hispanic Institute, the American Foundation for the Blind, and a broad range of other consumer, civil rights, and rural advocacy groups, have highlighted the transaction's potential to empower consumers, workers, and small businesses to participate more fully in our nation's broadband society.

As discussed in Section II below, this transaction will also preserve and, indeed, enhance competition. The Commission found last year that approximately three-quarters of Americans live in localities contested by at least five facilities-based wireless providers.¹² And the U.S. wireless marketplace is characterized by escalating usage, product differentiation, rapid innovation, fierce advertising campaigns, new entry, and sharply declining prices for wireless service by unit of consumption (*e.g.*, minutes or megabytes). It will remain every bit as dynamic and competitive after this transaction as before. Indeed, the wireless marketplace will be *more* competitive because this transaction will expand overall output and relieve both AT&T and T-Mobile USA of capacity constraints that, absent this transaction, would reduce their competitive impact. Moreover, because the transaction will enable AT&T to deploy next-generation LTE services to more than 97 percent of Americans, it will give many more consumers a new, robust alternative to *wireline* broadband services across America.

Post-merger, the combined company will continue to face intense competition from the following providers, among others:

- **Verizon Wireless**, now the largest U.S. wireless provider, occupies an exceptionally strong position in all market segments, and it claims unequaled network advantages in the

¹² Fourteenth Report, *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993*, 25 FCC Rcd 11407, 11621-22 ¶¶ 42-45 (May 20, 2010) (“*Fourteenth Wireless Report*”).

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provision of high-end LTE services over its nationwide 22 MHz block of 700 MHz spectrum.

- **Sprint** has reversed its earlier setbacks, added nearly 1.8 million net subscribers in 2010 (for a total of approximately 50 million), and is aggressively implementing Network Vision, a multi-billion-dollar initiative to upgrade its network to supplement existing 4G services. Sprint has already achieved substantial 4G success by offering attractive pricing plans and upgrading its smartphone portfolio with models like the highly successful EVO.
- **MetroPCS** and **Leap** (“Cricket”)—the leading “all you can eat” providers—have signed a long-term mutual roaming agreement, offer nationwide service plans, and now sell service in markets covering more than 200 million Americans. They are growing rapidly and will continue winning consumers with their low-priced service plans after this transaction closes.
 - According to internal AT&T estimates, MetroPCS has won approximately [Begin Confidential Information] [End Confidential Information] of the Miami market and double-digit shares in other major cities, and its subscriber share now exceeds T-Mobile USA’s in a number of key markets, including [Begin Confidential Information] [End Confidential Information]. MetroPCS recently launched the nation’s first commercially available LTE smartphone for its new 4G LTE network, thereby targeting higher-end consumers in addition to its established base of value-conscious customers.
 - Meanwhile, Leap added hundreds of thousands of new subscribers in 2010 and has achieved substantial shares in a number of metropolitan areas. Although it has long focused on value-oriented voice services, it too has branched out into broadband services, and smartphones now account for 40% of Leap’s handset sales. In March 2011, Leap expanded its LTE deployment plans by reaching a major spectrum arrangement with LightSquared.
- **U.S. Cellular** is a leading provider of nationwide service in 26 states and now has more than six million customers. According to AT&T’s estimates, U.S. Cellular has strong double-digit shares in many markets, including [Begin Confidential Information] [End Confidential Information].
- A number of other providers also offer nationwide wireless service plans with marked success. These include, among the others discussed below, **Cellular South**, which serves about 880,000 customers and plans to launch LTE service by the end of this year; **Cincinnati Bell Wireless**, which serves southwestern Ohio and [Begin Confidential Information] [End Confidential Information]; and **Cox Communications**, which has